

**GUIDE FOR BASIC ACCOUNTING AND REPORTING
FOR FORECLOSED PROPERTY
IN FEDERAL CREDIT PROGRAMS
EFFECTIVE FISCAL YEAR 2017**

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**GUIDE FOR BASIC ACCOUNTING AND REPORTING
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1.0	07/2004	Original Version	S2-04-01
2.0	08/2017	Updated Transaction Codes, financial statements and appendices.	2017-06

GUIDE FOR BASIC ACCOUNTING AND REPORTING FOR FORECLOSED PROPERTY IN FEDERAL CREDIT PROGRAMS

Overview

This guide is designed for those who:

- Formulate and execute Federal credit program budgets including accounting for assets, liabilities, net position, income, expenses, and budgetary resources
- Prepare agency financial statements;
- Audit agency financial statements;
- Design and maintain computer systems for financial and accounting programs; and
- Instruct others in basic accounting and reporting for foreclosed property in Federal credit programs.

The guide is illustrative, rather than authoritative, and is categorized as “other accounting literature” in the hierarchy of accounting principles for Federal entities.¹ It supersedes the original and subsequent foreclosed property scenarios. Users may download the guide from the Fiscal Service Web site at

https://www.fiscal.treasury.gov/fsreports/ref/ussgl/approved_scenarios/approved_scenarios.htm#creditreform.

In order to understand and gain the most from the guide, users must have a working knowledge of the following:

- Budgetary and proprietary accounting and related reporting;
- United States Standard General Ledger (USSGL) accounts for basic annual operating appropriations and revolving funds.
- Federal credit program accounting and reporting;
- The Credit Reform Act and requirements established by the Act; and
- Fund structures.

¹.See OMB Circular A-136, Financial Reporting Requirement, dated October 2016.

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The guide is divided into four scenarios:

1. Foreclosed property taken with recourse, Post-Credit Reform.
2. Foreclosed property taken without recourse, Post-Credit Reform.
3. Foreclosed property taken with recourse, Pre-Credit Reform.
4. Foreclosed property taken without recourse, Pre-Credit Reform.

“With recourse” means that, if the net cashflows related to the foreclosed property are insufficient to pay the defaulted debt in full, the Federal credit agency may take further action against the borrower to collect the remainder. Conversely, if net cashflows are in excess of the debt, the agency must refund the excess to the borrower.

“Without recourse” means that if the net cashflows related to the foreclosed property are insufficient to pay the defaulted debt in full, the Federal credit agency must write off the remaining debt. If the net cashflows are greater than necessary to repay the debt, the agency retains the excess. The loan contract with the borrower should indicate the terms of the loan.

The provided scenarios are not intended to be comprehensive. They cover common transactions and reports, focusing on property transactions unique to Federal credit program accounting. For example, the guide does not discuss undelivered orders with advances, because these orders are relatively rare and are not unique to credit program accounting.

The foreclosed property Credit Reform scenarios use net realizable value, rather than present value, as the basis for accounting. If agencies operate programs under Pre-Credit Reform based on present value, the foreclosed property accounting would be the same as that in the foreclosed property Post-Credit Reform scenarios.²

²Under SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*, agencies may use either net realizable value or net present value as the basis for Pre-Credit Reform accounting.

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The scenarios illustrate beginning, pre-closing, and post-closing trial balances. Where appropriate, the resulting yearend agency reports listed below are shown:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position;
- Statement of Budgetary Resources;
- Program and Financing Statement;
- Credit Program Footnote (including Schedule of Changes in the Allowance for Subsidy).³

The illustrated transactions within each scenario are:

- Formulation, apportionment, and allotment of the budget;
- Acquisition of foreclosed property;
- Repairs and maintenance on foreclosed property;
- Rental of foreclosed property prior to sale;
- Incurrence of expenses related to rental of foreclosed property prior to sale;
- Sale of foreclosed property;
- Collecting shortfalls from, recording shortfalls to, or paying excess cash to “with-recourse” borrowers;
- Closing entries.

In addition, two appendices are attached. Appendix 1 discusses fiscal yearend adjustments to the valuation of the property not sold by the yearend. Appendix 2 provides a listing of key references related to credit program accounting.

Direct questions regarding this guide to the General Ledger and Advisory Branch at <https://www.fiscal.treasury.gov/fsreports/ref/ussgl/form-issues.htm>, using the USSGL Issue Form.

³OMB Circular A-136, Footnote 8

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Conceptual Framework

The transactions in this guide are based on property acquired and sold in the same year and are for a fictitious Federal agency with a single direct-loan-program cohort and no-risk categories. The entries essentially are the same for direct loan or loan guarantee programs, and disclosure is made where there are differences. For Pre-Credit Reform, it is assumed that the agency is operating from its collections rather than from appropriations. Therefore, no entries to show appropriations used are necessary, and net position consists only of cumulative results of operations. (Accounting for appropriations used is illustrated for the program fund in separate guides for direct loans and loan guarantees under Credit Reform.)

The guide uses USSGL account numbers and, generally, USSGL account titles. The guide expands account titles, where used, for illustrative purposes only, for the specific information being captured. For example, in order to capture information to separate loans receivable related to direct loan programs and those related to loan guarantee programs, which must be segregated in the financial statements, “[Direct]” is placed after the USSGL account title 135000, Loans Receivable [Direct]. For defaulted loans receivable, USSGL account title 135000 includes “[Defaulted Guaranteed]” after the account title: 135000 Loans Receivable [Defaulted Guaranteed].

Entries are in general journal form, using USSGL accounts, and are summarized in trial balances for each year. Note that the financing fund is used only in the transactions for Post-Credit Reform scenarios, and the liquidating fund is used only in the transactions for Pre-Credit Reform scenarios.

USSGL accounts that, by themselves, do not directly provide the reporting that is illustrated, are supplemented with additional detail. The entries made and the method chosen to illustrate the detail provide only one-way of accounting. Agencies may have other ways of structuring their ledgers and making journal entries to accomplish the same result.

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Account Tables

The following account tables identify the accounts used in the guide to record transactions and prepare reports. Since the transactions are not comprehensive, the tables do not contain all accounts that agencies may use in day-to-day activities. The accounts used are presented and categorized by budgetary, proprietary, and memorandum accounts, as they relate to the changes in the loan guarantee level.⁴ Note that USSGL-accounts used in the scenarios that are enhanced to capture the information are illustrative rather than authoritative.

The budgetary accounts apply to both financing funds (Post-Credit Reform) and liquidating funds (Pre-Credit Reform). The memorandum accounts relate only to financing funds. Many of the proprietary accounts apply to both financing and liquidating fund transactions, but some are applicable to only one of the two. Proprietary accounts that relate only to the financing fund are indicated with a “(F)” following the title, and accounts that relate only to the liquidating fund are indicated with a “(L)” following the title. If the account applies to both funds, it is not indicated with either.

The memorandum accounts are included primarily for use in preparing the required Post-Credit Reform schedule. The schedule illustrates the changes in the beginning and ending values for the allowance.⁵

Lastly, one account structure required by the parameters of the agency used in the scenario is not illustrated. The case agency is given a “Category B” apportionment, in which it must avoid over-obligating the amount of the apportionment separately for each category. For proper administrative funds control, the agency would need a set of these status accounts for each category.

⁴The direct loan guide illustrates a similar set of accounts to report the changes in the allowance for subsidy account in a Post-Credit Reform direct loan program.

⁵Note that SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*, requires a schedule of changes in the Post-Credit Reform allowance for subsidy account only for direct loan programs. A schedule for the allowance related to defaulted guaranteed loans in a Post-Credit Reform loan guarantee program is not required. In addition, these schedules are not required for Pre-Credit Reform direct loan or loan guarantee programs.

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Listing of USSGL Accounts Used in This Scenario

It is necessary to separately report Credit Reform loans receivable, interest receivable, foreclosed property, and the related allowance for subsidy related to direct loans and to loan guarantees. Agencies may do this through use of fund symbols or through other attributes associated with USSGL accounts. This guide will use the basic USSGL accounts involved, and add information to the titles to indicate the distinction.

Account Number	Account Title
<u>Budgetary</u>	
406000	Anticipated Collections From Non-Federal Sources
420100	Total Actual Resources-Collected
426500	Actual Collections From Sale of Foreclosed Property
445000	Unapportioned Authority
451000	Apportionments
459000	Apportionments - Anticipated Resources - Programs Subject to Apportionment
461000	Allotments - Realized Resources
490100	Delivered Orders - Obligations, Unpaid
490200	Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]

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<u>Proprietary</u>	
101000	Fund Balance With Treasury
131000	Accounts Receivable
134100	Interest Receivable - Loans
134500	Allowance for Loss on Interest Receivable - Loans
135000	Loans Receivable [Direct]
135900	Allowance for Loss on Loans Receivable [Direct] (L)
139900	Allowance for Subsidy [Direct Loans Receivable] (F)
155100	Foreclosed Property [Direct Loans]
155900	Foreclosed Property - Allowance [Direct Loans] (L)
211000	Accounts Payable [to Borrowers Upon Sale of Foreclosed Property] ⁶
331000	Cumulative Results of Operations ⁷
331000	Cumulative Results of Operations (L)
610000	Operating Expenses/Program Costs [Property Rental] (L)
679000	Other Expenses Not Requiring Budgetary Resources [Change in Value of Foreclosed Property] (L)
711000	Gains on Disposition of Assets – Other (L)
721000	Losses on Disposition of Assets – Other (L)

⁶Related only to “with recourse” foreclosures.

⁷In the financing fund, this account balance must be zero after closing. The financing fund cannot have a net cost of operations. If there is excess subsidy, the agency accrues a payable to transfer the excess to a designated miscellaneous receipt fund. If there is not enough subsidy, the agency accrues a receivable from the program fund for the deficiency. Financing sources must equal expenses, and assets must equal liabilities. Note, that the liquidating fund may have a balance in account 331000.

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<u>Memorandum</u>	
9XAA	Allowance for Subsidy - Beginning Balance
9XAB	Allowance for Subsidy - Contra
9XAC	Allowance for Subsidy - Adj - Foreclosed Property Gain/Loss

Pre-closing equation: $9XAA = \text{the net of the remaining accounts.}$

Post-closing equation: $9XAA = 9XAB.$

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Scenario 1: Foreclosed Property Taken With Recourse–Post-Credit Reform

The agency has been operating for a number of years. Transactions in the guide occur in fiscal year “X.” For simplicity, the agency will have only one cohort. Normally, the agency would need to capture and summarize Post-Credit Reform cash flow transactions by cohort.

This scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary, memorandum) for a transaction, no entries are required in the category.

The agency had the following financing fund account balances at the beginning of fiscal year X:

Beginning Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
420100 Total Actual Resources - Collected ⁸	150	
445000 Unapportioned Authority		150
Total	0	0
<u>Proprietary</u>		
101000 Fund Balance With Treasury	150	
134100 Interest Receivable [Direct Loans]	650	
135000 Loans Receivable [Direct]	300	
139900 Allowance for Subsidy [Direct Loans Receivable]		425
155100 Foreclosed Property [Direct Loans]	25	

⁸Normally, a direct loan program uses its collections to repay its debt and interest to Treasury and does not have a cash balance. However, an agency may retain cash from collections if it needs to use the cash before it receives additional collections. For example, the agency foresees the need to make payments related to foreclosed property before any collections become available. If there was no available cash and payments needed to be made, the agency would have to borrow from Treasury.

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Beginning Trial Balance (Continued)		
251000 Principal Payable to the Bureau of the Fiscal Service		700
Total	1,125	1,125
<u>Memorandum</u>		
9XAA Allowance for Subsidy - Beginning Balance		\$425
9XAB Allowance for Subsidy - Contra	\$425	
Total	0	0

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Transactions

1-1. The agency estimated that \$100 of direct loans and \$500 of interest receivable would default, and that the collateral property involved would be foreclosed. The agency further estimated that it would receive collections of \$95 from sales and \$20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted the full allowable apportionment at the beginning of the year.

To request an apportionment from OMB			
	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Source 445000 Unapportioned Authority	115	115	A140
<u>Proprietary Entry</u> None			

To record the OMB apportionment			
	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned Authority 451000 Apportionments 459000 Apportionments Unavailable - Anticipated Resource	265	150 115	A116 A118
<u>Proprietary Entry</u> None			

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To record the allotment of the realized resources ⁹			
	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments - Realized Resources	150	150	A120
<u>Proprietary Entry</u> None			

⁹ Note that in accordance with OMB guidance (OMB Circular No. A-11, § 145.6), only the realized resources, those in the unobligated balance forward (as represented by the beginning balance of account 445000) can be allotted. Anticipated resources cannot be obligated until they are realized.

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- 1-2. \$100 of direct loans and \$500 of interest receivable defaulted. The fair market value of the property received was estimated to be \$450. It came with a lien of \$40, which was paid.¹⁰ The loan terms provided that the foreclosed property was taken with recourse.

To record payment of lien and adjust loan receivable based on collateral property			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]	40	40	B116 C162
<u>Proprietary Entry</u> 155100 Foreclosed Property [Direct Loans] 134100 Interest Receivable [Direct Loans] ¹¹ 101000 Fund Balance With Treasury	450	410 40	

¹⁰ Although collateral property should be free of liens when the Government forecloses on it, creditors may have placed liens on the property, such as for an unpaid contractor's lien or for unpaid property taxes.

If the agency paid the lien in a separate transaction from the acquisition of the property, it makes a budgetary entry to credit account 490100 for \$40 instead of 490200[Payments on Foreclosed Property]. In addition, the agency makes two proprietary entries (dr./cr.): 155100[Direct Loans] for \$450/135000 for \$410 and 199000 (Other Assets) or 211000 for \$40. Upon payment, the agency would make a budgetary entry to account 490100 or 490200[Payments on Foreclosed Property], and the following proprietary entries: 155100[Direct Loans] or 199000 and 211000 or 101000. With few exceptions, an agency may not debit or credit account 155100 unless cash has been transacted. Finally, if at the end of the year, a lien is still unpaid, the entry debiting account 199000 and crediting account 211000 would be reversed in the process of consolidation to avoid double-counting between the unpaid lien and the foreclosed property's present value, which already contains the present value of the lien payment to be made.

¹¹ Note that the borrower is given credit for the net inflow of assets. The fair market value of the collateral property, reduced by the lien, in lieu of a cash collection. If the net fair market value is greater than the interest, but less than the sum of the principal and interest, the agency credits account 135000[Direct] for the difference between the amount of the interest receivable and the net fair market value. If the net amount is \$510, then the agency credits account 134100[Direct Loans] for \$500 and account 135000[Direct] for \$10. If the net fair market value is greater than both principal and interest, the agency credits the amount in excess of accounts 134100[Direct Loans] and 135000[Direct] to account 139900[Direct Loans Receivable], and makes a memorandum entry debiting account 9XAB and crediting 9XAC for that amount. If, for example, the net fair market value of the foreclosed property is \$625, the agency credits account 134100[Direct Loans] for \$500, account 135000[Direct] for \$100, and account 139900[Direct Loans Receivable] for \$25 (the entry involving accounts 9XAB and 9XAC would be \$25). Per SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 87, this reporting follows the normal practice of crediting amounts first to late charges and penalties receivable (there are none in this case), then to interest receivable, then to loans receivable, and finally to the allowance for subsidy. If the loan contract specifies otherwise, then some other distribution consistent with the contract requirements would have to be made.

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1-3. The agency paid \$60 to repair the new foreclosed property.

To record disbursement			
	DR	CR	TC
<u>Budgetary Entry</u>			
461000 Allotments - Realized Resources	60		
490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]		60	
			B116
<u>Proprietary Entry</u>			
155100 Foreclosed Property [Direct Loans] ¹²	60		
101000 Fund Balance With Treasury		60	

¹²A payment made on foreclosed property by the foreclosing agency increases the net present value of the property because, once made, the succeeding payments are less (remember that net present value of an asset equals the present value of cash receipts less the present value of cash payments). In theory, an agency can recognize this via a debit to account 139900[Direct Loans Receivable] or 155100[Direct Loans], either of which will provide the requisite increase. However, in a “with recourse” foreclosure, agencies must determine whether there is a net cash inflow or outflow related to the foreclosed property after sale, so they can collect cash owed from the borrower or refunded excess cash to the borrower. Additionally, agencies are often asked to report to OMB or the Congress on the results of their foreclosed property program. Agencies may consider using a subsidiary ledger for foreclosed property that shows the cash-flows by property, since good property management requires a subsidiary record of information to detail the balance in account 155100[Direct Loans]. Accordingly, the agency makes the cash flows related to property in this guide to account 155100[Direct Loans] rather than account 139900[Direct Loans Receivable]. Note, too, that it makes no difference to the accounting treatment whether the payment is for major or for minor repairs, as it might in commercial sector accounting.

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1-4. The agency rented the new property to a third party and collected \$20 for the rent.

To realize the resource			
	DR	CR	TC
<u>Budgetary Entry</u> 426400 Actual Collections of Rent 406000 Anticipated Collections From Non-Federal Sources	20	20	C109
<u>Proprietary Entry</u> 101000 Fund Balance With Treasury 155100 Foreclosed Property [Direct Loans] ¹³	20	20	

To allot the realized resource			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources	20	20	A122
<u>Proprietary Entry</u> None			

¹³Note that the credit is to account 155100[Direct Loans] instead of to account 139900[Direct Loans Receivable]. See the preceding note. (This caveat is not repeated in subsequent transactions involving debits or credits to account 155100[Direct Loans] instead of account 139900[Direct Loans Receivable].)

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1-5. The agency paid expenses of \$30 related to rental of the new property.

To record disbursement			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 490200 Delivered Orders - Obligations, Paid [Payments for Foreclosed Property]	30	30	B116
<u>Proprietary Entry</u> 155100 Foreclosed Property [Direct Loans] 101000 Fund Balance With Treasury	30	30	

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1-6. The agency sold the new property, which at this point is on the books at a gross value of \$520, for \$475, net of expenses of sale.

To record the loss on loan receivable from borrower on a sale with recourse

	DR	CR	TC
<u>Budgetary Entry</u>			
426500 Actual Collections From Sale of Foreclosed Property ¹⁴	475		
406000 Anticipated Collections From Non-Federal Sources ¹⁵		475	C109
<u>Proprietary Entry</u>			
101000 Fund Balance With Treasury	475		
131000 Accounts Receivable [from Borrowers Upon Sale of Foreclosed Property] ¹⁶	235		
134100 Interest Receivable [Direct Loans]		90	
135000 Loans Receivable [Direct]		100	
155100 Foreclosed Property [Direct Loans]		520	

¹⁴The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury, only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains approval from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

¹⁵In transaction 1-1, OMB apportioned \$115 related to anticipated collections. In transaction 1-4, the agency collected \$20 for rent, leaving a balance of \$95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. Therefore, the agency cannot allot the excess. Some agencies may handle this by allowing account 406000 to become negative and then making an adjusting entry at year-end to move the amount in account 406000 to account 445000, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 406000 and the excess over the amount anticipated, which is unapportioned, into account 445000. For example, debit account 426500 for \$475, credit account 406000 for \$95, and credit account 445000 for \$380. As a result, a closing entry for accounts 406000 and 445000 would not be necessary.

¹⁶Alternatively, instead of using account 131000[from Borrowers Upon Sale of Foreclosed Property], the agency could record \$45 (\$235 - \$100 - \$90) to account 135000[Direct], leaving account 135000[Direct] (related to the new foreclosed property, that was just sold) with a balance of \$145, and could make no entry make to account 134100[Direct Loans] (related to the new foreclosed property), which would remain at \$90. In other words, instead of \$235 appearing in account 131000[from Borrowers Upon Sale of Foreclosed Property] in the trial balance, the debit would be split between account 134100[Direct Loans], \$90, and account 135000[Direct], \$145 (as it relates to the new foreclosed property). Regardless of the method used, agencies must report all receivables related to the transaction in the credit program footnote to the Balance Sheet. Of course, the agency may write-off the receivables against account 139900[Direct Loans Receivable], as illustrated in the guide for direct loans (or account 139900[Direct Loans Receivable] if related to defaulted guaranteed loans).

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To allot the realized resources to the extent apportioned ¹⁷			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources <u>Proprietary Entry</u> None	95	95	A122

¹⁷In transaction 1-1, OMB apportioned \$115 related to anticipated collections. In transaction 1-4, the agency collected \$20 for rent, leaving a balance of \$95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. Therefore, the agency cannot allot the excess. Some agencies may handle this by allowing account 406000 to become negative, and then making an adjusting entry at year-end to move the amount in account 406000 to account 445000.

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Transactions 1-6a and 1-6b illustrate how an agency would handle the accounting if it had received more cash than necessary to satisfy the debt, rather than less, as was the case with transaction 1-6. Transactions 1-6a and 1-6b are mutually exclusive of transaction 1-6, and are not included with the trial balance totals that follow. There are no special reporting issues involved.

1-6a. The agency sold the new property, which at this point is on the books at a gross value of \$520, for \$775, net of expenses of sale.

To realize the resources and record the gain sold with recourse			
	DR	CR	TC
<u>Budgetary Entry</u>			
426500 Actual Collections From Sale of Foreclosed Property ¹⁸	775		
406000 Anticipated Collections From Non-Federal Sources ¹⁹		95	
445000 Unapportioned Authority		115	
490100 Delivered Orders – Obligations, Unpaid ²⁰		565	C109
<u>Proprietary Entry</u>			
101000 Fund Balance With Treasury	775		C614
211000Accounts Payable [to Borrowers Upon Sale of Foreclosed Property] ²¹		65	
134100 Interest Receivable [Direct Loans]		90	
135000 Loans Receivable [Direct]		100	
155100 Foreclosed Property [Direct Loans]		520	

¹⁸The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains approval from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

¹⁹In transaction 1-1, OMB apportioned \$115 related to anticipated collections. In transaction 1-4, the agency collected \$20 for rent, leaving a balance of \$95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for re-apportionment and OMB grants it. As a result, the agency cannot allot the excess. Some agencies may handle this by allowing account 406000 to become negative, and then making an adjusting entry at year-end to move the amount in account 406000 to account 445000.

²⁰In this case, the agency collected \$65 cash in excess of that required to satisfy the underlying debt (see the proprietary entry following). Because this is a “with recourse” foreclosure, the agency must repay the excess to the borrower and credit account 490100.

²¹In this case, the agency collected \$65 cash in excess of that required to satisfy the debt. Because this is a “with recourse” foreclosure, the agency must repay the excess to the borrower.

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To allot the realized resources to the extent apportioned ²²			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources <u>Proprietary Entry</u> None	95	95	A122

1-6b. The agency repays the excess cash collected to the borrower.²³

To record payment.			
	DR	CR	TC
<u>Budgetary Entry</u> 490100 Delivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid [Foreclosed Property Transactions]	65	65	B110
<u>Proprietary Entry</u> 211000 Accounts Payable [to Borrowers Upon Sale of Foreclosed Property] 101000 Fund Balance With Treasury	65	65	

²²See footnote 22.

²³This assumes that the agency refunded the cash to the borrower in a separate transaction. In practice, the agency may pay the excess directly to the borrower at the time the foreclosed property is sold, such as through escrow. If that is the case, the agency reduces the net collection amount to \$710 in the budgetary and proprietary entries for 6a and does not record a payable.

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1-7. To record adjustments for resources realized in excess of those anticipated.

To record payment.			
	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 445000 Unapportioned Authority <u>Proprietary Entry</u> None	380	380	F116

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Pre-closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
406000 Anticipated Collections From Non-Federal Sources	0	
420100 Total Actual Resources - Collected	150	
426400 Actual Collections of Rent	20	
426500 Actual Collections From Sale of Foreclosed Property	475	
445000 Unapportioned Authority		380
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment	0	
461000 Allotments - Realized Resources		135
490200 Delivered Orders - Obligations, Paid		130
Total	645	645
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
131000 Accounts Receivable	235	
134100 Interest Receivable - Loans	150	
135000 Loans Receivable	200	
139900 Allowance for Subsidy		425
155100 Foreclosed Property	25	
251000 Principal Payable to the Bureau of the Fiscal Service		700
Total	1125	1125
<u>Memorandum</u>		
9XAA		425
9XAB	425	
Total	425	425

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Closing Entries

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid

	DR	CR	TC
<u>Budgetary Entry</u>			
490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]	130		
420100 Total Actual Resources Collected	365		
426400 Actual Collection of Rent		20	F302
426500 Actual Collections From Sale of Foreclosed Property		475	
<u>Proprietary Entry</u>			
None			

To close unobligated authority			
	DR	CR	TC
<u>Budgetary Entry</u>			
461000 Allotments - Realized Resources	135		
445000 Unapportioned Authority		135	F308
<u>Proprietary Entry</u>			
None			

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Post-Closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
420100 Total Actual Resources - Collected	515	
445000 Unapportioned Authority		515
Total	515	515
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
131000 Accounts Receivable	235	
134100 Interest Receivable - Loans	150	
135000 Loans Receivable	200	
139900 Allowance for Subsidy		425
155100 Foreclosed Property	25	
251000 Principal Payable to the Bureau of the Fiscal Service		700
Total	1125	1125
<u>Memorandum</u>		
9XAA		425
9XAB	425	
Total	425	425

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Financial Statements

The Statement of Net Cost and the Statement of Changes in Net Position are not presented because the balances are zero.

BALANCE SHEET		
		Total
	Assets	
	Intragovernmental	
1.	Fund Balance with Treasury (101000E)	515
6.	Total Intragovernmental (This line is calculated. Equals the sum of lines 1 through 5.)	515
9.	Accounts receivable, net (131000E, 134100E)	385
11.	Direct Loan and Loan Guarantees, net (135000E, 139900E, 155100E,)	(200)
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	700
	Liabilities	
17.	Accounts Payable (251000E)	<u>700</u>
28.	Total Liabilities (This line is calculated. Equals the sum of lines 20 through 27.)	700
	Net Position:	
30.	Unexpended Appropriations (310100E)	0
33.	Cumulative Results of Operations - All Other Funds (331000E)	<u>0</u>
35.	Total Net Position – All Other Funds (calc.)	0
37.	Total Liabilities and Net Position (calc.)	<u>700</u>

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STATEMENT OF BUDGETARY RESOURCES		
		Total
	Budgetary resources:	
1000	Unobligated balance brought forward, Oct 1 (420100B)	150
1890	Spending authority from offsetting collections (discretionary and mandatory) ((426400E ²⁴ , 426500E ²⁵)	495
1910	Total budgetary resources	<u>645</u>
	Status of budgetary resources	
2190	New obligations and upward adjustments (total) (490200E)	130
	Unobligated balance, end of year:	
2204	Apportioned, unexpired account (461000E)	135
2413	Expired unobligated balance, end of year (445000E)	<u>380</u>
2490	Unobligated balance, end of year (total) (This line is calculated. Equals the sum of lines 2204 and 2413.)	515
2500	Total budgetary resources (This line is calculated. Equals the sum of lines 2190 and 2490.)	645
	Change in obligated balance:	
3020	Outlays (gross) (-) (490200E)	130
3200	Obligated balance, end of year (+ or -)	130
4176	Actual offsetting collections (discretionary and mandatory) (426400E, 426500E)	(495)
	Budget authority and outlays, net:	
4190	Outlays, net (total) (discretionary and mandatory)	(365)

²⁴ From rent.

²⁵ From sale of foreclosed property.

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SF 133: Report on Budget Execution and Budgetary Resources & Schedule P Budget Program and Financing Schedule ACTUAL COLUMN FOR YEAR 1 REPORTING		
	SF133 Line	Sch P Line
BUDGETARY RESOURCES		
All accounts:		
0900 Total new obligations (490200E)		130
Unobligated balance:		
1000 Unobligated balance brought forward, October 1 (420100B)	150	150
2190 New obligations and upward adjustments (total)	(130)	
2201 Available in the current period (451000E, 461000E)	515	
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations:		
3010 New obligations, unexpired accounts	0	0
3020 Outlays (gross) (490200E)	130	130
BUDGET AUTHORITY AND OUTLAYS, NET		
Discretionary:		
Gross budget authority and outlays:		
4011 Outlays from discretionary balances (490200E)	130	130
4020 Outlays , gross (total) (490200E)	130	130
4070 Budget authority, net (discretionary)	0	0
4080 Outlays, net (discretionary)	130	130

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Note 8: Credit Program Note Present Value of Loan Assets	
C. Direct Loans Obligated After FY 1991²⁶:	
Loans Receivable, Gross (135000)	200
Interest Receivable (134100)	150
Foreclosed Property ²⁷ (155100)	<u>25</u>
Allowance for Subsidy Cost (Present Value) (139900)	<u>(190)</u>
Value of Assets Related to Direct Loans, Net	<u>185</u>

Note 8: Credit Program Note Schedule for Reconciling Subsidy Cost Allowance Balances²⁸	
Beginning balance of the subsidy cost allowance (9XAAB)	(425)
Adjustments:	
(c) Foreclosed property acquired (9XAC)	235
Ending balance of the subsidy cost allowance (should = 9XAAE)	<u>(190)</u>

²⁶If these loan assets were related to defaulted guaranteed loans, the heading would instead be “Loan Assets Related to Loan Guarantees Obligated After September 30, 1991.”

²⁷Note that there are requirements to disclose narrative information in addition to the dollar amount of foreclosed property. (See OMB *Circular No. A-136*, (pp. 94-95).

²⁸Note that there is no requirement for a schedule for the allowance for subsidy related to defaulted guaranteed loan assets.

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Scenario 2: Foreclosed Property Taken Without Recourse–Post-Credit Reform

The scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary, memorandum) for a transaction, no entries are required in the category.

The agency had the following financing fund account balances at the beginning of fiscal year X:

Beginning Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
420100 Total Actual Resources - Collected ²⁹	150	
445000 Unapportioned Authority		150
Total	0	0
<u>Proprietary</u>		
101000 Fund Balance With Treasury	150	
134100 Interest Receivable [Direct Loans]	650	
135000 Loans Receivable [Direct]	300	
139900 Allowance for Subsidy [Direct Loans Receivable]		425
155100 Foreclosed Property [Direct Loans]	25	
251000 Principal Payable to the Bureau of the Fiscal Service		700
Total	1,125	1,125

²⁹ Normally, a direct loan program uses its collections to repay its debt and interest to Treasury, and, therefore, does not have a cash balance. However, an agency may retain cash from collections if it needs to use the cash before it receives additional collections. If the agency has no available cash and it needs to make payments, it would have to borrow from Treasury. In this guide, the agency is assumed to have foreseen the need to make payments related to foreclosed property before any collections become available. If there was no available cash, and payments needed to be made, the agency would have to borrow from Treasury.

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Beginning Trial Balance		
<u>Memorandum</u>		
9XAA Allowance for Subsidy - Beginning Balance		\$425
9XAB Allowance for Subsidy - Contra	\$425	
Total	0	0

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2-1. The agency estimated that \$100 of direct loans and \$500 of interest receivable would default, and that the collateral property involved would be foreclosed on. The agency further estimated that it would receive collections of \$95 from sales and \$20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted the full allowable apportionment at the beginning of the year.

To request an apportionment from OMB			
	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 445000 Unapportioned Authority <u>Proprietary Entry</u> None	115	115	A140

To record the OMB apportionment			
	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned Authority 451000 Apportionments 459000 Apportionments Unavailable - Anticipated Resources <u>Proprietary Entry</u> None	265	150 115	A118 A140

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To record allotment of the realized resources			
	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments - Realized Resources ³⁰	150	150	A120
<u>Proprietary Entry</u> None			

³⁰Note that in accordance with OMB guidance, agencies can allot only the realized resources, those in the Unobligated balance forward (as represented by the beginning balance of account 4450). They cannot obligate anticipated resources until the resources are realized.

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2-2. \$100 of direct loans and \$500 of interest receivable defaulted. The fair market value of the property received was estimated to be \$450. It came with a lien of \$40,³¹ which was paid.³² The loan terms provided that the foreclosed property was taken without recourse.

	DR	CR	TC
<u>Budgetary Entry</u>			
461000 Allotments - Realized Resources	40		
490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]		40	B116
<u>Proprietary Entry</u>			
155100 Foreclosed Property [Direct Loans]	450		
139900 Allowance for Subsidy [Direct Loans] ³³	190		
134100 Interest Receivable [Direct Loans]		500	
135000 Loans Receivable [Direct]		100	

³¹ Although collateral property should be free of liens when the Government foreclosed on it, creditors may have placed liens on the property, such as for an unpaid contractor's lien or for unpaid property taxes.

³² If the agency paid the lien in a separate transaction from acquisition of the property, it makes a budgetary entry to credit account 490100 for \$40 instead of 490200 [Payments on Foreclosed Property], for \$40, and the proprietary entry would be changed as follows: Debit 155100 \$410, 139900 \$190, and 119000 \$40 Credit 134000 \$500, 135000 \$100, and 211000 \$40.

Upon payment, the agency makes the budgetary entry (dr./cr.) 490100/490200 [Payments on Foreclosed Property], and the following proprietary entries: 155100/199000 and 211000/101000. With few exceptions, an agency may not debit or credit account 155100 unless cash has been transacted. Finally, if at the end of the year, a lien is still unpaid, the entry debiting account 199000 and crediting account 211000 would be reversed in the process of consolidation to avoid double-counting between the unpaid lien and the foreclosed property's present value, which already contains the present value of the lien payment to be made.

³³ Note that because the collateral property is taken without recourse, the agency must remove the loan and interest receivable from its books, since it must consider acceptance of the foreclosed property as payment in full for the loan. The agency charges the difference between the fair market value of the property and the gross value of the receivables to account 139900 [Direct Loans Receivable]. If the fair market value of the property is greater than the gross value of the receivables, the agency credits account 139900 [Direct Loans Receivable].

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101000 Fund Balance With Treasury		40	
<u>Memorandum Entry</u>			
9XAC Allowance for Subsidy - Adj – Foreclosed Property Gain/Loss	190		
9XAB Allowance for Subsidy - Contra		190	

2-3. The agency paid \$60 to repair the new foreclosed property.

	DR	CR	TC
<u>Budgetary Entry</u>			
461000 Allotments - Realized Resources	60		
490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]		60	B116
<u>Proprietary Entry</u>			
155100 Foreclosed Property [Direct Loans]] ³⁴	60		
101000 Fund Balance With Treasury		60	

³⁴ A payment made on foreclosed property by the foreclosing agency increases the net present value of the property because, once made, the succeeding payments are less (remember that net present value of an asset equals the present value of cash receipts less the present value of cash payments). In theory, the agency can recognize this via a debit to account 139900[Direct Loans Receivable] or 155100[Direct Loans], either of which will provide the requisite increase. However, in a “with recourse” foreclosure, agencies must determine whether there is a net cash inflow or outflow related to the foreclosed property after sale so they can collect cash owed from the borrower or refund excess cash to the borrower. Additionally, agencies are often asked to report to OMB or the Congress on the results of their foreclosed property program. Agencies may consider using a subsidiary ledger for foreclosed property that show the cashflows by property since good property management requires a subsidiary record of information to detail the balance in account 155100[Direct Loans]. Accordingly, the cash flows related to property in this guide will be made to account 155100[Direct Loans] rather than to account 139900[Direct Loans Receivable]. Note, too, that it makes no difference to the accounting treatment whether the payment is for major or for minor repairs, as it might in commercial sector accounting.

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2-4. The agency rented the new property to a third party, and collected \$20 for the rent.

To realize the resource			
	DR	CR	TC
<u>Budgetary Entry</u> 426400 Actual Collections of Rent 406000 Anticipated Collections From Non-Federal Sources <u>Proprietary Entry</u> 1010 Fund Balance With Treasury 1551 Foreclosed Property [Direct Loans] ³⁵	 20	 20 20	 C109
To allot the realized resource			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources <u>Proprietary Entry</u> None	 20	 20	 A122

³⁵Note that the credit is to account 1551[Direct Loans] instead of account 1399[Direct Loans Receivable]. See the preceding note. (This caveat is not repeated in subsequent transactions involving debits or credits to account 1551[Direct Loans] instead of account 1399[Direct Loans Receivable].)

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2-5. The agency paid expenses of \$30 related to rental of the new property.

To record payment			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]	30	30	B116
<u>Proprietary Entry</u> 155100 Foreclosed Property [Direct Loans] 101000 Fund Balance With Treasury	30	30	

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2-6. The agency sold the new property, which at this point is on the books at a gross value of \$520, for \$475, net of expenses of sale.

To realize the resource			
	DR	CR	TC
<u>Budgetary Entry</u> 426500 Actual Collections From Sale of Foreclosed Property ³⁶ 406000 Anticipated Collections From Non-Federal Sources ³⁷	475	475	
<u>Proprietary Entry</u> 1010 Fund Balance With Treasury 1399 Allowance for Subsidy [Direct Loans] ³⁸ 1551 Foreclosed Property [Direct Loans]	475 45	520	C109

³⁶The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains permission from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

³⁷In transaction 1-1, OMB apportioned \$115 related to anticipated collections. In transaction 1-4, the agency collected \$20 for rent, leaving a balance of \$95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. Therefore, the agency cannot allot the excess. Some agencies may handle this by allowing account 4060 to become negative, and then making an adjusting entry at year-end to move the amount in account 4060 to account 4450, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 4060 and the excess over the amount anticipated, which is unapportioned, into account 4450. For example, debit account 4265 for \$475, credit account 4060 for \$95, and credit account 4450 for \$380. As a result, a closing entry for accounts 4060 and 4450 would not be necessary.

³⁸The agency charges the loss on sale against the allowance for subsidy. Note that this is different from the “with recourse” situation illustrated in Scenario 1, when the agency legally could collect the loss from the borrower. If there were a gain on sale, the agency would credit the allowance for subsidy.

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To allot the realized resources to the extent apportioned ³⁹			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources <u>Memorandum Entry</u> ⁴⁰ 9XAC Allowance for Subsidy - Adj - Foreclosed Property Gain/Loss 9XAB Allowance for Subsidy - Contra	95 45	95 45	A122

Pre-Closing Entry

2-7. To record adjustments for resources realized in excess of those anticipated.

	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 445000 Unapportioned Authority <u>Proprietary Entry</u> None	380	380	F116

³⁹Ibid.

⁴⁰If there was a gain on sale, the agency would reverse this entry from that shown.

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Pre-closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
406000 Anticipated Collections From Non-Federal Sources	0	
420100 Total Actual Resources - Collected	150	
426400 Actual Collections of Rent	20	
426500 Actual Collections From Sale of Foreclosed Property	475	
445000 Unapportioned Authority		380
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment	0	
461000 Allotments - Realized Resources		135
490200 Delivered Orders - Obligations, Paid		130
Total	645	645
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
134100 Interest Receivable - Loans	150	
135000 Loans Receivable	200	
139900 Allowance for Subsidy		190
155100 Foreclosed Property	25	
251000 Principal Payable to the Bureau of the Fiscal Service		700
Total	890	890
<u>Memorandum</u>		
9XAA		425
9XAB	190	
9XAC	235	
Total	425	425

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Closing Entries

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid.			
	DR	CR	TC
<u>Budgetary Entry</u> 490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 420100 Total Actual Resources Collected 426400 Actual Collections of Rent 426500 Actual Collections From Sale of Foreclosed Property	 130 365	 20 475	 F302 F314?
<u>Proprietary Entry</u> None			

To close unobligated authority			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 445000 Unapportioned Authority	 135	 135	 F308
<u>Proprietary Entry</u> None			
<u>Memorandum Entry</u> 9XAA Allowance for Subsidy 9XAC Allowance for Subsidy - Adj - Foreclosed Property Gain/Loss	 235	 235	

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Post-Closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
420100 Total Actual Resources - Collected	\$515	
445000 Unapportioned Authority		\$515
Total	515	515
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
134100 Interest Receivable - Loans	150	
135000 Loans Receivable	200	
139900 Allowance for Subsidy		190
155100 Foreclosed Property	25	
251000 Principal Payable to the Bureau of the Fiscal Service		700
Total	890	890
<u>Memorandum</u>		
9XAA		190
9XAB	190	
Total		0

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Financial Statements

The Statement of Net Cost and the Statement of Changes in Net Position are not presented because the balances are zero.

BALANCE SHEET		
		Total
	Assets	
	Intragovernmental	
1.	Fund Balance with Treasury (101000E)	515
6.	Total Intragovernmental (This line is calculated. Equals the sum of lines 1 through 5.)	515
9.	Accounts receivable, net (131000E, 134100E)	385
11.	Direct Loan and Loan Guarantees, net 135000,139900E, 155100E,)	(200)
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	700
	Liabilities	
28.	Total Liabilities (This line is calculated. Equals the sum of lines 20 through 27.))	0
	Net Position:	
30.	Unexpended Appropriations (310100E)	0
33.	Cumulative Results of Operations - All Other Funds (331000E)	<u>700</u>
35.	Total Net Position – All Other Funds (calc.)	700
37.	Total Liabilities and Net Position (calc.)	<u>700</u>

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STATEMENT OF BUDGETARY RESOURCES (Non-budgetary Financing Fund)		
		Total
	Budgetary resources:	
1000	Unobligated balance brought forward, Oct 1 (420100B)	150
1890	Spending authority from offsetting collections (discretionary and mandatory) ((426400E, 426500E)	495
1910	Total budgetary resources	<u>645</u>
	Status of budgetary resources	
2190	New obligations and upward adjustments (total) (490200E)	130
	Unobligated balance, end of year:	
2204	Apportioned, unexpired account (461000E)	135
2413	Expired unobligated balance, end of year (44500E)	<u>380</u>
2490	Unobligated balance, end of year (total) (This line is calculated. Equals the sum of lines 2204 and 2413.)	515
2500	Total budgetary resources (This line is calculated. Equals the som of lines 2190 and 2490)	645
	Change in obligated balance:	
3020	Outlays (gross) (-) (490200E)	130
3200	Obligated balance, end of year (+ or -)	130
4176	Actual offsetting collections (discretionary and mandatory) (426400E, 426500E)	(495)
	Budget authority and outlays, net:	
4190	Outlays, net (total) (discretionary and mandatory)	(365)

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SF 133: Report on Budget Execution and Budgetary Resources & Budget Program and Financing Schedule (Schedule P) ACTUAL COLUMN FOR YEAR 1 REPORTING		
	SF133 Line	Sch P Line
BUDGETARY RESOURCES		
All accounts:		
0900 Total new obligations (490200E)		130
Unobligated balance:		
1000 Unobligated balance brought forward, October 1 (420100B)	150	150
2190 New obligations and upward adjustments (total)	(130)	
2201 Available in the current period (451000E, 461000E)	515	
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations:		
3010 New obligations, unexpired accounts	0	0
3020 Outlays (gross) (490200E)	130	130
BUDGET AUTHORITY AND OUTLAYS, NET		
Discretionary:		
Gross budget authority and outlays:		
4011 Outlays from discretionary balances (490200E)	130	130
4020 Outlays , gross (total) (490200E)	130	130
4070 Budget authority, net (discretionary)	0	0
4080 Outlays, net (discretionary)	130	130

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Note 8: Credit Program Note Present Value Of Loan Assets⁴¹	
C. Direct Loans Obligated After \ 1991:	
Loans Receivable, Gross (135000)	200
Interest Receivable (134100)	150
Foreclosed Property ⁴² (155100)	<u>25</u>
Allowance for Subsidy Cost (Present Value) (139900)	<u>(190)</u>
Value of Assets Related to Direct Loans, Net	<u>185</u>

Note 8: Credit Program Note⁴³	
G. Schedule for Reconciling Subsidy Cost Allowance Balances (Post -1991 Direct Loans):	
Beginning Balance October 1, Changes, and Ending Balance (9XAAB)	(425)
Adjustments:	
(c) Foreclosed property acquired (9XAC)	235
Ending balance September 30 of the subsidy cost allowance (should = 9XAAE)	190

⁴¹If these loan assets were related to defaulted guaranteed loans, the heading would instead be “Loan Assets Related to Loan Guarantees Obligated After September 30, 1991.”

⁴²Note that there are requirements to disclose narrative information in addition to the dollar amount of foreclosed property. (See OMB *Circular No. A-136* , (pp. 94-95).

⁴³Note that there is no requirement for a schedule for the allowance for subsidy related to defaulted guaranteed loan assets.

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Scenario 3: Foreclosed Property Taken With Recourse–Pre-Credit Reform

The scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary, memorandum) for a transaction, no entries are required in the category.

The agency had the following liquidating fund account balances at the beginning of fiscal year X:

Beginning Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>	150	
420100 Total Actual Resources - Collected		150
445000 Unapportioned Authority		
Total	0	0
<u>Proprietary</u>	150	
101000 Fund Balance With Treasury	650	
134100 Interest Receivable [Direct Loans]	300	
134500- Allowance for Loss on Interest Receivable- Loans[Direct Loans]		320
135000 Loans Receivable [Direct]	300	
135900 Allowance for Loss on Loans Receivable [Direct]		100
155100 Foreclosed Property [Direct Loans]	25	
155900 Foreclosed Property – Allowance [Direct Loans]		5
331000 Cumulative Results of Operations		700
Total	<u>1,125</u>	<u>1,125</u>

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3-1. The agency estimated that \$100 of direct loans and \$500 of interest receivable would default, and that the collateral property involved would be foreclosed on. The agency further estimated that it would receive collections of \$95 from sales and \$20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted full allowable apportionment at the beginning of the year.

To request an apportionment from OMB			
	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 445000 Unapportioned Authority <u>Proprietary Entry</u> None	140	140	A140

To record the OMB apportionment			
	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned Authority 451000 Apportionments 459000 Apportionments Unavailable - Anticipated Resources <u>Proprietary Entry</u> None	265	150 115	A118 A140

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To record allotment of the realized resources			
	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments - Realized Resources ⁴⁴	150	150	A120
<u>Proprietary Entry</u> None			

⁴⁴Note that in accordance with OMB guidance, agencies can allot only the realized resources, those in the unobligated balance forward (as represented by the beginning balance of account 445000). They cannot obligate anticipated resources until the resources are realized (in accordance with §145.6 of *OMB Circular A-11*, only realized resources may be obligated).

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3-2. \$100 of direct loans and \$500 of interest receivable defaulted. The fair market value of the property received was estimated to be \$450. It came with a lien of \$40, which was paid.⁴⁵ The loan terms provided that the foreclosed property was taken with recourse.

To record payment			
	DR	CR	TC
<u>Budgetary Entry</u>			
461000 Allotments - Realized Resources	40		
490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]		40	B116
<u>Proprietary Entry</u>			
155100 Foreclosed Property [Direct Loans]	450		
134100 Interest Receivable [Direct Loans] ⁴⁶		410	C162
101000 Fund Balance With Treasury		40	

⁴⁵ Although collateral property should be free of liens when the Government forecloses on it, creditors may have placed liens, such as for an unpaid contractor's lien or for unpaid property taxes.

If agency paid the lien in a separate transaction from acquisition of the property, it makes a the budgetary entry to account 490100 instead of account 490200[Payments on Foreclosed Property], and in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 87. In the proprietary the agency replaces account 101000 with account 155900[Direct Loans]. Upon payment, the agency debits account 490100 and credits account 490200[Payments on Foreclosed Property]; it debits accounts 155900[Direct Loans] and credits account 101000.

⁴⁶ Note that the borrower is given credit for the net inflow of assets. The fair market value of the collateral property, reduced by the lien, in lieu of a cash collection. If the net fair market value is greater than the interest, but less than the sum of the principal and interest, the agency credits account 135000[Direct] for the difference between the amount of the interest receivable and the net fair market value. If the net amount is \$510, then the agency credits account 134100[Direct Loan] for \$500 and account 135000[Direct] for \$10). If the net fair market value is greater than both principal and interest, the agency credits the amount in excess of accounts 134100[Direct Loans] and 135000[Direct] to a combination of account 134900[Direct Loan] and account 135900[Direct], as determined by the agency. If, for example, the net fair market value of the foreclosed property is \$625, the agency credits account 134100[Direct Loans] for \$500, account 135000 [Direct] for \$100, and account 134900[Direct Loan] and account 135900[Direct] for a total of \$25. Per SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 87, this reporting follows the normal practice of crediting amounts first to late charges and penalties receivable (there are none in this case), then to interest receivable, then to loans receivable, and finally to the allowance accounts. If the loan contract specifies otherwise, then some other distribution consistent with the contract requirements would have to be made. Normally, an agency would recognize a gain on foreclosed property, since the agency would have to repay any such gain, if it materialized after all transactions with the fixed property were recorded to the borrower.

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3-3. The agency paid \$60 to repair the new foreclosed property.

To record payment			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]	60	60	B116
<u>Proprietary Entry</u> 155100 Foreclosed Property [Direct Loans] ⁴⁷ 101000 Fund Balance With Treasury	60	60	

3-4. The agency rented the new property to a third party, and collected \$20 for the rent.

To realize the resource			
	DR	CR	TC
<u>Budgetary Entry</u> 426400 Actual Collections of Rent 406000 Anticipated Collections From Non-Federal Sources	20	20	C109
<u>Proprietary Entry</u> 101000 Fund Balance With Treasury 155100 Foreclosed Property [Direct Loans]	20	20	

⁴⁷ Agencies must determine whether there is a net cash inflow or outflow related to a piece of foreclosed property after sale in a “with recourse” foreclosure, so they can collect cash owed from the borrower or refund excess cash to the borrower. Additionally, agencies are often asked to report to OMB or the Congress on the results of their foreclosed property program. Accordingly, the agencies may consider using a subsidiary ledger for foreclosed property that shows the cash flows by property, since good property management requires a subsidy record of information to detail the balance in account 155100[Direct Loan]. Note, too, that it makes no difference to the accounting treatment whether the payment is for major or for minor repairs, as it might in commercial sector accounting.

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To allot the realized resource			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources <u>Proprietary Entry</u> None	20	20	A122

3-5. The agency paid expenses of \$30 related to rental of the new property.

To record payment			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 490200 Delivered Orders – Obligations, Paid [Payments for Foreclosed Property]	30	30	B116
<u>Proprietary Entry</u> 155100 Foreclosed Property [Direct Loans] 101000 Fund Balance With Treasury	30	30	

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3-6. The agency sold the new property, which at this point is on the books at a gross value of \$520, for \$475, net of expenses of sale.⁴⁸

To realize the resource			
	DR	CR	TC
<u>Budgetary Entry</u>			
426500 Actual Collections From Sale of Foreclosed Property ⁴⁹	475		
406000 Anticipated Collections From Non-Federal Sources ⁵⁰		475	
<u>Proprietary Entry</u>			
101000 Fund Balance With Treasury	475		
131000 Accounts Receivable [From Borrowers Upon Sale of Foreclosed Property] ⁵¹	235		
134100 Interest Receivable [Direct Loans]		90	
			C109

⁴⁸See transactions 1-6a and 1-6b in Scenario 1 for an example of how to handle the transaction if the sale yielded more cash than necessary to satisfy the borrower's debt.

⁴⁹The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains permission from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

⁵⁰In transaction 1-1, OMB apportioned \$115 related to anticipated collections. In transaction 1-4, the agency collected \$20 for rent, leaving a balance of \$95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. As a result, the agency cannot allot the excess. Some agencies may handle this by allowing account 406000 to become negative, and then making an adjusting entry at year-end to move the amount in account 406000 to account 445000, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 406000 and the excess over the amount anticipated, which is unapportioned, into account 445000. For example, debit account 426500 for \$475, credit account 406000 for \$95, and credit account 445000 for \$380. As a result, a closing entry for accounts 406000 and 445000 would not be necessary.

⁵¹Alternatively, instead of using account 131000[from Borrowers Upon Sale of Foreclosed Property], the agency could record \$45 (\$235 - \$100 - \$90) to account 135000[Direct], leaving account 135000[Direct Loan] (related to the new foreclosed property, that was just sold) with a balance of \$145, and could make no entry to account 134100[Direct Loans] (related to the new foreclosed property), which would remain at \$90. In other words, instead of \$235 appearing in account 131000[from Borrowers Upon Sale of Foreclosed Property] in the trial balance, the debit would be split between account 134100[Direct Loans, \$90, and account 135000[Direct], \$145 (as it relates to the new foreclosed property). Regardless of the method used, agencies must report all receivables related to the transaction in the credit program footnote to the Balance Sheet. Of course, the agency may write-off the receivables against accounts 134900[Direct Loan] and 135900[Direct] (or accounts 134900[Direct Loan] and 135900[Direct], if related to defaulted guaranteed loans).

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135000 Loans Receivable [Direct]		100	
155100 Foreclosed Property [Direct Loans]		520	

To allot the realized resources to the extent apportioned ⁵²			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources	95	95	A122
<u>Proprietary Entry</u> None			

Pre-Closing Entry

3-7. To record adjustments for resources realized in excess of those anticipated.

To allot the realized resources to the extent apportioned			
	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 445000 Unapportioned Authority	380	380	F116
<u>Proprietary Entry</u> None			

⁵²Ibid.

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Pre-closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
406000 Anticipated Collections From Non-Federal Sources	0	
420100 Total Actual Resources - Collected	150	
426400 Actual Collections of Rent	20	
426500 Actual Collections From Sale of Foreclosed Property	475	
445000 Unapportioned Authority		380
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment	0	
461000 Allotments - Realized Resources		135
490200 Delivered Orders - Obligations, Paid		130
Total	645	645
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
131000 Accounts Receivable	235	
134100 Interest Receivable - Loans	150	
135000 Loans Receivable	200	
134500 Allowance for Loss on Interest Receivable - Loans [Direct Loan]		320 ⁵³
135900 Allowance for Loss on Loans Receivable [Direct]		100
155100 Foreclosed Property	25	
155900 Foreclosed Property-Allowance		5
331000 Cumulative Results of Operations		700
Total	1125	1125

⁵³The allowance for loss here is greater than the value of the receivable to which it applies. The agency would remedy this situation in the process of year-end adjustments for bad debts expense, by recomputing the amount of expected losses on the receivables remaining at that time. Because the adjustment is not a transaction involving foreclosed property, it is not illustrated in the guide and the allowance accounts remain as they were after the foreclosed property transactions. See the separate guide on Pre-Credit Reform accounting for an example of the adjusting entry for bad debts expense.

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Closing Entries

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid.			
	DR	CR	TC
<u>Budgetary Entry</u> 490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 420100 Total Actual Resources Collected 426400 Actual Collections of Rent 426500 Actual Collections From Sale of Foreclosed Property <u>Proprietary Entry</u> None	 130 365	 20 475	 F302 F314
To close unobligated authority			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 445000 Unapportioned Authority <u>Proprietary Entry</u> None	 135	 135	 F308

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Post-Closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
420100 Total Actual Resources - Collected	\$515	
445000 Unapportioned Authority		\$515
Total	515	515
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
131000 Accounts Receivable	235	
134100 Interest Receivable - Loans	150	
13500 Allowance for Loss on Interest Receivable- Loans[Direct Loans]		320
135000 Loans Receivable	200	
135900 Allowance for Loss on Loans Receivable		\$100
155100 Foreclosed Property	25	
155900 Foreclosed Property - Allowance		\$5
331000 Cumulative Results of Operations		\$700
Total	1125	1125

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Financial Statements

The Statement of Net Cost is not presented because the balance is zero.

BALANCE SHEET		
		Total
	Assets	
	Intragovernmental	
1.	Fund Balance with Treasury (101000E)	515
6.	Total Intragovernmental (This line is calculated. Equals the sum of lines 1 through 5.)	515
9.	Accounts receivable, net (131000E, 134100E)	385
11.	Direct Loan and Loan Guarantees, net 135000,139900E, 155100E,)	(200)
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	700
	Liabilities	
28.	Total Liabilities (This line is calculated. Equals the sum of lines 20 through 27.))	0
	Net Position:	
30.	Unexpended Appropriations (310100E)	0
33.	Cumulative Results of Operations - All Other Funds (331000E)	<u>700</u>
35.	Total Net Position – All Other Funds (calc.)	700
37.	Total Liabilities and Net Position (calc.)	<u>700</u>

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STATEMENT OF CHANGES IN NET POSITION		
	Cumulative Results from Operations:	
1.	Beginning Balances	
	Cumulative Results of Operations (331000B)	<u>700</u>
3.	Beginning balance, as adjusted (This line is calculated. Equals sum of lines 1 through 2B)	<u>700</u>
16.	Net Change (This line is calculated. Equals sum of lines 14 minus 15.)	<u>0</u>
17.	Cumulative Results of Operations (This line is calculated. Equals sum of lines 3 and 16.))	<u>700</u>
27.	Net Position (This line is calculated. Equals sum of lines 17 and 26.)	<u>700</u>

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STATEMENT OF BUDGETARY RESOURCES (Non-budgetary Financing Fund)		
		Total
	Budgetary resources:	
1000	Unobligated balance brought forward, Oct 1 (420100B)	150
1890	Spending authority from offsetting collections (discretionary and mandatory) ((426400E, 426500E)	495
1910	Total budgetary resources	<u>645</u>
	Status of budgetary resources	
2190	New obligations and upward adjustments (total) (490200E)	130
	Unobligated balance, end of year:	
2204	Apportioned, unexpired account (461000E)	135
2413	Expired unobligated balance, end of year (44500E)	<u>380</u>
2490	Unobligated balance, end of year (total) (This line is calculated. Equals the sum of lines 2204 and 2413.)	515
2500	Total budgetary resources (This line is calculated. Equals the sum of lines 2190 and 2490)	645
	Change in obligated balance:	
3020	Outlays (gross) (-) (490200E)	130
3200	Obligated balance, end of year (+ or -)	130
4176	Actual offsetting collections (discretionary and mandatory) (426400E, 426500E)	(495)
	Budget authority and outlays, net:	
4190	Outlays, net (total) (discretionary and mandatory)	(365)

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SF 133: Report on Budget Execution and Budgetary Resources & Budget Program and Financing Schedule (Schedule P) ACTUAL COLUMN FOR YEAR 1 REPORTING		
	SF133 Line	Sch P Line
BUDGETARY RESOURCES		
All accounts:		
0900 Total new obligations (490200E)		130
Unobligated balance:		
1000 Unobligated balance brought forward, October 1 (420100B)	150	150
2190 New obligations and upward adjustments (total)	(130)	
2201 Available in the current period (451000E, 461000E)	515	
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations:		
3010 New obligations, unexpired accounts	0	0
3020 Outlays (gross) (490200E)	130	130
BUDGET AUTHORITY AND OUTLAYS, NET		
Discretionary:		
Gross budget authority and outlays:		
4011 Outlays from discretionary balances (490200E)	130	130
4020 Outlays , gross (total) (490200E)	130	130
4070 Budget authority, net (discretionary)	0	0
4080 Outlays, net (discretionary)	130	130

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Note 8: Credit Program Note Present Value Of Loan Assets	
C. Direct Loans Obligated After \ 1991: ⁵⁴	
Loans Receivable, Gross (135000)	200
Interest Receivable (134100)	150
Foreclosed Property ⁵⁵ (155100)	<u>25</u>
Allowance for Subsidy Cost (Present Value) (139900)	<u>(190)</u>
Value of Assets Related to Direct Loans, Net	<u>185</u>

Note 8: Credit Program Note	
G. Schedule for Reconciling Subsidy Cost Allowance Balances (Post -1991 Direct Loans): ⁵⁶	
Beginning Balance October 1, Changes, and Ending Balance (9XAAB)	(425)
Adjustments:	
(c) Foreclosed property acquired (9XAC)	235
Ending balance September 30 of the subsidy cost allowance (should = 9XAAE)	190

⁵⁴If these loan assets were related to defaulted guaranteed loans, the heading would instead be “Loan Assets Related to Loan Guarantees Obligated After September 30, 1991.”

⁵⁵Note that there are requirements to disclose narrative information in addition to the dollar amount of foreclosed property. (See OMB *Circular No. A-136* , (pp. 94-95).

⁵⁶Note that there is no requirement for a schedule for the allowance for subsidy related to defaulted guaranteed loan assets.

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Scenario 4: Foreclosed Property Taken Without Recourse–Pre-Credit Reform

The scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary) for a transaction, no entries are required in the category.

The agency had the following liquidating fund account balances at the beginning of fiscal year X:

Beginning Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
420100 Total Actual Resources - Collected	150	
445000 Unapportioned Authority		150
Total	150	150
<u>Proprietary</u>		
101000 Fund Balance With Treasury	150	
134100 Interest Receivable [Direct Loans]	650	
135000 Loans Receivable [Direct]		
13500 Allowance for Loss on Interest Receivable - Loans [Direct Loan]		320
135000 Loans Receivable [Direct]	300	
155100 Foreclosed Property [Direct Loans]	25	
155900 Foreclosed Property - Allowance [Direct Loans Receivable]		5
331000 Cumulative Results of Operations		700
Total	1,125	1,125

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4-1. The agency estimated that \$100 of direct loans and \$500 of interest receivable would default, and that the collateral property involved would be foreclosed on. The agency further estimated that it would receive collections of \$95 from sales and \$20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted the full allowable apportionment at the beginning of the year.

To request an apportionment from OMB			
	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 445000 Unapportioned Authority <u>Proprietary Entry</u> None	115	115	A140

To record the OMB apportionment			
	DR	CR	TC
<u>Budgetary Entry</u> 445000 Unapportioned Authority 451000 Apportionments 459000 Apportionments Unavailable - Anticipated Resources <u>Proprietary Entry</u> None	265	150 115	A116 A118

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To record allotment of the realized resources			
	DR	CR	TC
<u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments - Realized Resources ⁵⁷	150	150	A120
<u>Proprietary Entry</u> None			

⁵⁷Note that in accordance with OMB guidance, agencies can allot only the realized resources, those in the unobligated balance forward (as represented by the beginning balance of account 445000). They cannot obligate anticipated resources until the resources are realized. (in accordance with §145.6 of *OMB Circular A-11*, only realized resources may be obligated).

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4-2. \$100 of direct loans and \$500 of interest receivable defaulted. The fair market value of the property received was estimated to be \$450. It came with a lien of \$40, which was paid.⁵⁸ The loan terms provided that the foreclosed property was taken without recourse.

To record payment			
	DR	CR	TC
<u>Budgetary Entry</u>			
461000 Allotments - Realized Resources	40		
490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]		40	B116
<u>Proprietary Entry</u>			
155100 Foreclosed Property [Direct Loans]	450		
721000 Losses on Disposition of Assets - Other ⁵⁹	190		
134100 Interest Receivable [Direct Loans]		500	
135000 Loans Receivable [Direct]		100	
101000 Fund Balance With Treasury		40	

⁵⁸ Although collateral property is supposed to be free of liens when the Government forecloses on it, creditors may have placed liens on the property, such as for an unpaid contractor's lien or for unpaid property taxes.

If the agency paid the lien in a separate transaction from acquisition of the property, it makes a budgetary to account 490100 instead of account 490200[Payments on Foreclosed Property], and in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 87. In the proprietary entry, the agency replaces account 101000 with account 155900[Direct Loans]. Upon payment, the agency debits account 490100 and credits account 490200[Payments on Foreclosed Property]; it debits account 155900[Direct Loans] and credits account 101000.

⁵⁹ Note that because the collateral property is taken without recourse, the loan and interest receivable must be removed from the books, since the agency must consider acceptance of the foreclosed property as payment in full for the loan. The agency charges the difference between the fair market value of the property and the gross value of the receivables to account 721000. If the fair market value of the property is greater than the gross value of the receivables, the agency credits account 711000. The agency also may remove the related allowance for loss accounts (134900[Direct Loan] and 135900[Direct]), if it knows the amounts related to the loan and interest for which the collateral property was foreclosed. If the agency does this, it decreases the amount of the loss or increases the amount of a gain commensurately. Alternatively, the allowance for loss accounts could be left alone until the year-end adjustment process to estimate bad debts expense, at which time the agency would adjust the amounts in accounts 134900 and 135900 to reflect the latest estimate relative to any loans and interest receivable still on the books at year-end. This guide illustrates the latter.

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4-3. The agency paid \$60 to repair the new foreclosed property.

To record payment			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 490200 Delivered Orders – Obligations, Paid [Payments for Foreclosed Property]	10	10	B116
<u>Proprietary Entry</u> 155100 Foreclosed Property [Related to Direct Loans] 101000 Fund Balance With Treasury	10	10	

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4-6. The agency sold the new property, which at this point is on the books at a gross value of \$520, for \$475, net of expenses of sale.⁶⁰

To realize the resource			
	DR	CR	TC
<u>Budgetary Entry</u>			
426500 Actual Collections From Sale of Foreclosed Property ⁶¹	475		
406000 Anticipated Collections From Non-Federal Sources ⁶²		475	
<u>Proprietary Entry</u>			
101000 Fund Balance With Treasury	475		C109
721000 Losses on Dispositions of Assets	45		C628
155100 Foreclosed Property [Direct Loans]		520	

⁶⁰See entries 1-6a and 1-6b for Scenario 1 for an example of how the transaction would be handled if the sale yielded more cash than necessary to satisfy the borrower's debt.

⁶¹The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could unduly complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection, and recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains permission from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

⁶²In transaction 1-1, OMB apportioned \$115 related to anticipated collections. In transaction 1-4, the agency collected \$20 for rent, leaving a balance of \$95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. As a result, the agency cannot allot the excess. Some agencies may handle this by allowing account 406000 to become negative, and then making an adjusting entry at year-end to move the amount in account 406000 to account 445000, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 406000 and the excess over the amount anticipated, which is unapportioned, into account 445000. For example, debit account 426500 for \$475, credit account 406000 for \$95, and credit account 445000 for \$380. As a result, a closing entry for accounts 406000 and 445000 would not be necessary.

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To allot the realized resources to the extent apportioned ⁶³			
	DR	CR	TC
<u>Budgetary Entry</u> 459000 Apportionments Unavailable - Anticipated Resources 461000 Allotments - Realized Resources <u>Proprietary Entry</u> None	95	95	A122

Pre-Closing Entry

To record adjustments for resources realized in excess of those anticipated.			
	DR	CR	TC
<u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 445000 Unapportioned Authority <u>Proprietary Entry</u> None	380	380	F116

⁶³ Ibid.

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Pre-closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
406000 Anticipated Collections From Non-Federal Sources	0	
420100 Total Actual Resources - Collected	150	
426400 Actual Collections of Rent	20	
426500 Actual Collections From Sale of Foreclosed Property	475	
445000 Unapportioned Authority		380
459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment	0	
461000 Allotments - Realized Resources		135
490200 Delivered Orders - Obligations, Paid		130
Total	645	645
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
134100 Interest Receivable - Loans	150	
134500 Allowance for Loss on Interest Receivable - Loans[Direct Loan] ⁶⁴		320
135000 Loans Receivable	200	
135900 Allowance for Loss on Loans Receivable		100
155100 Foreclosed Property	25	
155900 Foreclosed Property - Allowance		5
331000 Cumulative Results of Operations		700
721000 Losses on Disposition of Assets - Other	235	
Total	1125	1125

⁶⁴The allowance for loss is greater than the value of the receivable to which it applies. The agency would remedy this during year-end adjustments for bad debts expense, by recomputing the amount of expected losses on the receivables remaining at that time. This is not illustrated because the adjustment is not a transaction involving foreclosed property and the allowance accounts remain as they were after the foreclosed property transactions. See the Pre-Credit Reform accounting guide for an example of the bad debt expense adjusting entry.

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Closing Entries

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid			
	DR	CR	TC
<u>Budgetary Entry</u> 490200 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 420100 Total Actual Resources Collected 426400 Actual Collections of Rent 426500 Actual Collections From Sale of Foreclosed Property	130 365	20 475	F302
<u>Proprietary Entry</u> None			

To close unobligated authority			
	DR	CR	TC
<u>Budgetary Entry</u> 461000 Allotments - Realized Resources 445000 Unapportioned Authority	135	135	F308
<u>Proprietary Entry</u> None			

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To record the closing of other financing sources to cumulative results of operations			
	DR	CR	TC
<u>Budgetary Entry</u> None			F340
<u>Proprietary Entry</u> 3310 Cumulative Results of Operations 7210 Losses on Disposition of Assets - Other	235	231	

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Post-Closing Trial Balance		
	Debit	Credit
<u>Accounts</u>		
<u>Budgetary</u>		
420100 Total Actual Resources - Collected	515	
445000 Unapportioned Authority		515
Total	515	515
<u>Proprietary</u>		
101000 Fund Balance With Treasury	515	
134100 Interest Receivable - Loans	150	
134500 Allowance for Loss on Interest Receivable- [Direct Loans]		320
135000 Loans Receivable	200	
135900 Allowance for Loss on Loans Receivable		100
155100 Foreclosed Property	25	
155900 Foreclosed Property - Allowance		5
331000 Cumulative Results of Operations		465
Total	890	890

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Financial Statements

BALANCE SHEET		
		Total
	Assets	
	Intragovernmental	
1.	Fund Balance with Treasury (101000E)	515
6.	Total Intragovernmental (This line is calculated. Equals the sum of lines 1 through 5.)	515
9.	Accounts receivable, net (134100E)	150
11.	Direct Loan and Loan Guarantees, net (134500E, 135000E, 135900E, 155100E, and 155900E.)	(200)
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	\$465
	Liabilities:	
28.	Total Liabilities (calc.)	0
	Net Position:	
30.	Unexpended Appropriations (310100E)	0
33.	Cumulative Results of Operations - All Other Funds (331000E and 721000E)	<u>465</u>
35.	Total Net Position – All Other Funds (calc.)	465
37.	Total Liabilities and Net Position (calc.)	<u>\$465</u>

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STATEMENT OF NET COST	
	Total
Gross Program Costs:	
1. Gross costs (721000E)	235
3. Net program costs: (This line is calculated. Equals sum of lines 1 minus 2.)	235
5. Net program costs including Assumption Changes: (This line is calculated. Equals sum of lines 3 through 4.)	235
8. Net cost of operations (This line is calculated. Equals the sum of lines 5 and 6 minus 7.)	<u>235</u>

STATEMENT OF CHANGES IN NET POSITION		
	Cumulative Results of Operations:	
1.	Beginning Balances	
1.	Cumulative Results of Operations (331000B)	<u>700</u>
15.	Net Cost of Operations (+/-)	<u>(235)</u>
17.	Cumulative Results of Operations (This line is calculated. Equals sum of lines 3 and 16.)	<u>465</u>

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STATEMENT OF BUDGETARY RESOURCES (Non-budgetary Financing Fund)		
		Total
	Budgetary resources:	
1000	Unobligated balance brought forward, Oct 1 (420100B)	150
1890	Spending authority from offsetting collections (discretionary and mandatory) ((426400E ⁶⁵ , 426500E ⁶⁶))	495
1910	Total budgetary resources	<u>645</u>
	Status of budgetary resources:	
2190	New obligations and upward adjustments (total) (490200E)	130
	Unobligated balance, end of year:	
2204	Apportioned, unexpired account (461000E)	135
2413	Expired unobligated balance, end of year (44500E)	<u>380</u>
2490	Unobligated balance, end of year (total) (This line is calculated. Equals the sum of lines 2204 and 2413.)	515
2500	Total budgetary resources (This line is calculated. Equals the sum of lines 2190 and 2490.)	645
	Change in obligated balance:	
3020	Outlays (gross) (-) (490200E)	130
3200	Obligated balance, end of year (+ or -)	130
4176	Actual offsetting collections (discretionary and mandatory) (426400E, 426500E)	(495)
	Budget authority and outlays, net:	
4190	Outlays, net (total) (discretionary and mandatory)	(365)

⁶⁵ From rent.

⁶⁶ From sale of foreclosed property.

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SF 133: Report on Budget Execution and Budgetary Resources & Schedule P Budget Program and Financing Schedule ACTUAL COLUMN FOR YEAR 1 REPORTING		
	SF133 Line	Sch P Line
BUDGETARY RESOURCES		
All accounts:		
0900 Total new obligations (490200E)		(130)
Unobligated balance:		
1000 Unobligated balance brought forward, October 1 (420100B)	150	150
2190 New obligations and upward adjustments (total)	(130)	
2201 Available in the current period (451000E, 461000E)	515	
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations:		
3010 New obligations, unexpired accounts	0	0
3020 Outlays (gross) (490200E)	130	130
BUDGET AUTHORITY AND OUTLAYS, NET		
Discretionary:		
Gross budget authority and outlays:		
4011 Outlays from discretionary balances (490200E)	130	130
4020 Outlays , gross (total) (490200E)	130	130
4070 Budget authority, net (discretionary)	0	0
4080 Outlays, net (discretionary)	130	130

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Note 8: Credit Program Note NET REALIZABLE VALUE OF LOAN ASSETS	
Loan Assets Related to Direct Loans Obligated Before October 1, 1991:⁶⁷	
Loans Receivable, Gross (135000)	200
Interest Receivable (134100)	150
Total Receivables	350
Less Allowance for Loss (134100 & 135000)	<u>(420)</u>
Net Realizable Value of Receivables ⁶⁸	(70)
Foreclosed Property (155100)	<u>25</u>
Less Allowance for Loss (155900)	<u>(5)</u>
Net Realizable Value of Foreclosed Property	<u>20</u>
Net Realizable Value of Loan Assets	<u><u>\$(50)</u></u>

⁶⁷If these loan assets were related to defaulted guaranteed loans, the heading would be “Loan Assets Related to Loan Guarantees Obligated Before October 1, 1991.”

⁶⁸The sum of the allowance for loss account 135900—exceeds the amount of the assets to which they apply, because the scenario does not illustrate year-end adjustments for bad debts. The net realizable value of the receivables would be a positive number. The adjustment for bad debts expense related to allowance for losses on receivables is illustrated in a separate guide on Pre-Credit Reform accounting.

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APPENDIX I: YEAR-END ADJUSTMENTS TO VALUATION OF FORECLOSED PROPERTY

Often, a Federal credit program agency will foreclose on collateral property and dispose of it in the same fiscal year. The transactions in the body of this guide illustrate how an agency record and report transactions to acquire repair and maintain, rent, and sell foreclosed property. In some instances, foreclosed property will be sold in a later fiscal year than that during foreclosure. This appendix discusses the valuation of foreclosed property existing at the Balance Sheet date under Credit Reform and Pre-Credit Reform.

CREDIT REFORM VALUATION

Under Credit Reform, loan assets (receivables and foreclosed property) are valued at the present value of their cash flows. An agencies report this by listing and summing the receivables, and subtracting an allowance for subsidized costs from the sum of the receivables to yield their net cash flow. This reporting is illustrated via the credit program footnote in Scenarios 1 and 2.

Each year, an agency re-estimate cash flows and increase or decrease the allowance for subsidy for each cohort of loans (by risk categories under each cohort, if any). The agency recognizes an additional subsidy expense when the allowance is increased, and a decrease in subsidy expense when the allowance is decreased. This is illustrated in the direct loan programs guide. The entries and methodologies are essentially the same for loan assets related to defaulted guaranteed loans and those related to direct loans, though an agency must report each separately.

Since no allowance account related solely to foreclosed property is recognized (the allowance account applies to the sum of the non-cash loan assets), the guide does not illustrate the recording and reporting of adjustments to the allowance for subsidy caused by changes in cash flows relating to foreclosed property. Refer to the sections on upward and downward adjustments relating to direct loan, non-cash assets discussed in the accounting and reporting for direct loans guide under Credit Reform concepts.

Pre-Credit Reform–Present Value Used

Agencies may use either present value or net realizable value concepts for recording and valuing non-cash loan assets for Pre-Credit Reform direct loans or defaulted guaranteed loans. If agencies use present value concepts, the valuation of the receivables and

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foreclosed property and related accounting and reporting are basically the same as that under Credit Reform. Agencies should use account 680000, "Future Funded Expenses."

Pre-Credit Reform–Net Realizable Value Used

Under the net realizable value concept, separate valuations are made for each receivable (accounts receivable, loans receivable, interest receivable, penalties and late charges receivable, etc.) and for foreclosed property. Accounting and reporting related to the valuation, accounting, and reporting of Pre-Credit Reform receivables on a net realizable value basis is presented in the Pre-Credit Reform guide. This section discusses valuation, accounting, and reporting for Pre-Credit Reform foreclosed property.

SFFAS No. 3, *Accounting for Inventory and Related Property*, governs the valuation of Pre-Credit Reform foreclosed property when the present value of cash flows is not used as a basis for valuation. In that case, SFFAS No. 3 specify that the lower of cost or market rule be used.⁶⁹ This means that in valuing foreclosed property on the Balance Sheet, it be reduced by a related valuation account which, when netted against the gross amount of foreclosed property, yields the lower of what the property cost (as determined via the transactions discussed in the body of this case), or what its estimated fair market value is at the Balance Sheet date. While foreclosed property may thus be reported at lower than cost if its fair market value is less, it cannot be valued at greater than cost, even if the fair market value is more. This is essentially the same rule as used in commercial accounting.

Assume that foreclosed property is taken during fiscal year A, and at the end of that year, it is on the books at a value of \$100, based on transactions involving acquisition, repairs and maintenance, and rentals. The agency does not sell the property until fiscal year E,

and no additional transactions occur, except those related to valuation for balance sheet purposes at the end of each of the fiscal years A, B, C, and D. The agency determines fair market value for each of those fiscal years as follows:

Fiscal Year	Fair Market Value
A	\$96
B	\$93
C	\$98
D	\$102

⁶⁹See SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 86.

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The journal entries to value the foreclosed property on the balance sheet for each year and to close the accounts at year-end are set forth below, along with related reporting (solely for these transactions). All entries are proprietary, as the revaluation of foreclosed property to the lower of cost or market does not affect budgetary resources or the status of resources. The Balance Sheet and Statement of Changes in Net Position assume that the cumulative results of operations in fiscal year A before valuation are \$100 for illustrative purposes only. Additionally, the balance sheet presents details of the cost and market valuations, normally found in the credit program footnote. This detail is not illustrated for brevity. The Statement of Budgetary Resources is not presented, since no budgetary accounts are affected.

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TRANSACTIONS
Fiscal Year A**

To value the property at the lower of cost (\$100) or market (\$96).			
	DR	CR	TC
<u>Budgetary Entry</u> None	4	4	D518
<u>Proprietary Entry</u> 679000 Other Expenses Not Requiring Budgetary Resources 155900 Foreclosed Property - Allowance			

To close the expense account.			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 331000 Cumulative Results of Operations 679000 Other Expenses Not Requiring Budgetary Resources	4	4	F336

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FINANCIAL STATEMENTS
Fiscal Year A**

BALANCE SHEET		
		Total
	Assets:	
	Intragovernmental	
11.	Direct Loan and Loan Guarantees, net (155100E, 155900E)	96
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	96
	Liabilities:	
28.	Total Liabilities (This line is calculated. Equals the sum of lines 20 through 27.)	0
	Net Position:	
30.	Unexpended Appropriations – Funds From Dedicated Collections (310100E)	0
33.	Cumulative results of operations - All Other Funds (331000E)	<u>96</u>
35.	Total Net Position – All Other Funds (This line is calculated. Equals the sum of lines 31 and 33.)	96
36.	Total Net Position (This line is calculated. Equals the sum of lines 34 and 35.)	<u>96</u>
37.	Total Liabilities and net position (This line is calculated. Equals the sum of lines 28 and 36.)	<u>96</u>

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STATEMENT OF NET COST	
	Total
Gross Program Costs:	
1. Gross costs (679000E)	4
2. Less earned revenue	0
3. Net program costs: (This line is calculated. Equals the sum of lines 1 minus 2.)	4
5. Net program costs including Assumption Changes: (This line is calculated. Equals the sum of lines 3 through 4.)	4
8. Net cost of operations (This line is calculated. Equals the sum of lines 5 and 6 minus7.)	<u>4</u>

STATEMENT OF CHANGES IN NET POSITION		
		Total
	Cumulative Results from Operations:	
1.	Beginning Balances	
1.	Cumulative Results of Operations (331000B)	<u>100</u>
3.	Beginning balances, as adjusted (This line is calculated. Equals the sum of lines 1 through 2B.)	<u>100</u>
15.	Net Cost of Operations (+/-)	<u>(4)</u>
17.	Cumulative Results of Operations (This line is calculated. Equals sum of lines 3 and 16.)	<u><u>96</u></u>

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**TRANSACTIONS
Fiscal Year B**

To value the property at the lower of cost (\$100) or market (\$93). ⁷⁰			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 679000 Other Expenses Not Requiring Budgetary Resources 155900 Foreclosed Property - Allowance	3	3	D518

To close the expense account			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 331000 Cumulative Results of Operations 679000 Other Expenses Not Requiring Budgetary Resources	3	3	F336

⁷⁰The amount in the valuation account must be \$7, which is the amount of the decline from cost to market (\$100 - \$93). The balance before this entry (see the fiscal year A amount) was \$4; therefore, the agency must increase the amount in account 155900 by \$3.

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FINANCIAL STATEMENTS
Fiscal Year B

BALANCE SHEET		
		Total
	Assets:	
	Intragovernmental	
11.	Direct Loan and Loan Guarantees, net (155100E, 155900E)	93
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	93
	Liabilities:	
28.	Total Liabilities (This line is calculated. Equals the sum of lines 20 through 27.)	0
	Net Position:	
30.	Unexpended Appropriations – Funds From Dedicated Collections (310100E)	0
33.	Cumulative results of operations - All Other Funds (331000E)	93
35.	Total Net Position – All Other Funds (This line is calculated. Equals the sum of lines 31 and 33.)	<u>93</u>
36.	Total Net Position (This line is calculated. Equals the sum of lines 34 and 35.)	<u>93</u>
37.	Total Liabilities and net position (This line is calculated. Equals the sum of lines 28 and 36.)	<u>93</u>

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STATEMENT OF NET COST	
	Total
Gross Program Costs:	
1. Gross costs (679000E)	3
2. Less earned revenue	0
3. Net program costs: (This line is calculated. Equals the sum of lines 1 minus 2.)	3
5. Net program costs including Assumption Changes: (This line is calculated. Equals the sum of lines 3 through 4.)	3
8. Net cost of operations (This line is calculated. Equals sum of lines 5 and 6 minus 7.)	<u>3</u>

STATEMENT OF CHANGES IN NET POSITION		
		Total
	Cumulative Results from Operations:	
1.	Beginning Balances	
1.	Cumulative Results of Operations (331000B)	<u>96</u>
3.	Beginning balances, as adjusted (This line is calculated. Equals sum of lines 1 through 2B.)	<u>96</u>
15.	Net Cost of Operations (+/-)	<u>(3)</u>
17.	Cumulative Results of Operations (This line is calculated. Equals the sum of lines 3 and 16.)	<u>93</u>

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TRANSACTIONS
Fiscal Year C**

To value the property at the lower of cost (\$100) or market (\$98). ⁷¹			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 155900 Foreclosed Property – Allowance 679000 Other Expenses Not Requiring Budgetary Resources	5	5	D518R

To close the expense account			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 679000 Other Expenses Not Requiring Budgetary Resources 331000 Cumulative Results of Operations	5	5	F336R

⁷¹The amount in the valuation account must be \$2, which is the amount of the decline from cost to market (\$100 - \$98). The balance before this entry (see the fiscal year B amount) was \$7; therefore, the agency must reduce the amount in account 155900 by \$5.

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FINANCIAL STATEMENTS
Fiscal Year C**

BALANCE SHEET		
		Total
	Assets:	
	Intragovernmental	
11.	Direct Loan and Loan Guarantees, net (155100E, 155900E)	98
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	98
	Liabilities:	
28.	Total Liabilities (This line is calculated. Equals the sum of lines 20 through 27.)	0
	Net Position:	
30.	Unexpended Appropriations – Funds From Dedicated Collections (310100E)	0
33.	Cumulative results of operations - All Other Funds (331000E)	98
35.	Total Net Position – All Other Funds (This line is calculated. Equals the sum of lines 31 and 33.)	98
36.	Total Net Position (This line is calculated. Equals the sum of lines 34 and 35.)	<u>98</u>
37.	Total Liabilities and Net Position (This line is calculated. Equals the sum of lines 28 and 36.)	<u>98</u>

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STATEMENT OF NET COST	
	Total
Gross Program Costs:	
1. Gross costs (679000E)	5
2. Less earned revenue	0
3. Net program costs: (This line is calculated. Equals the sum of lines 1 minus 2.)	5
5. Net program costs: including Assumption Changes: (This line is calculated. Equals the sum of lines 3 through 4.)	5
8. Net cost of operations (This line is calculated. Equals the sum of lines 5 and 6 minus 7.)	<u>5</u>

STATEMENT OF CHANGES IN NET POSITION		
		Total
	Cumulative Results from Operations:	
1.	Beginning Balances	
1.	Cumulative Results of Operations (331000B)	<u>93</u>
3.	Beginning balances, as adjusted (This line is calculated. Equals the sum of lines 1 through 2B.)	
15.	Net Cost of Operations	<u>5</u>
17.	Cumulative Results of Operations (This line is calculated. Equals the sum of lines 3 and 16.)	<u><u>98</u></u>

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**TRANSACTIONS
Fiscal Year D**

To value the property at the lower of cost (\$100) or market (\$102). ⁷²			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 155900 Foreclosed Property - Allowance 679000 Other Expenses Not Requiring Budgetary Resources	2	2	D518

To close the expense account			
	DR	CR	TC
<u>Budgetary Entry</u> None			
<u>Proprietary Entry</u> 679000 Other Expenses Not Requiring Budgetary Resources 331000 Cumulative Results of Operations	2	2	F336R

⁷² Although the market value increased \$4, the agency cannot report the foreclosed property above cost. The amount in the valuation account must be \$0, which allows reporting the lower of the cost (\$100) or market (\$102). Therefore, the agency must reduce the amount in account 155900 by \$2.

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BALANCE SHEET		
		Total
	Assets:	
	Intragovernmental	
11.	Direct Loan and Loan Guarantees, net (155100E)	100
15.	Total Assets (This line is calculated. Equals the sum of lines 6 through 14.)	100
	Liabilities:	
28.	Total Liabilities (This line is calculated. Equals the sum of lines 20 through 27.)	0
	Net Position:	
30.	Unexpended Appropriations – Funds From Dedicated Collections (310100E)	0
33.	Cumulative results of operations - All Other Funds (331000E)	100
35.	Total Net Position – All Other Funds (This line is calculated. Equals the sum of lines 31 and 33.)	100
36.	Total Net Postion (This line is calculated. Equals sum of lines 34 and 35.)	100
37.	Total Liabilities and Net Position (calc.)	100

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STATEMENT OF NET COST	
	Total
Gross Program Costs:	
1. Gross costs (679000E)	(2)
2. Less earned revenue	0
3. Net program costs: (This line is calculated. Equals the sum of lines 1 minus 2.)	(2)
5. Net program costs including Assumption Changes: (This line is calculated. Equals the sum of lines 3 through 4.)	(2)
8. Net cost of operations (This line is calculated. Equals sum of lines 5 and 6 minus 7.)	<u>(2)</u>

STATEMENT OF CHANGES IN NET POSITION		
		Total
	Cumulative Results of Operations:	
1.	Beginning Balances	
1.	Cumulative Results of Operations (331000B)	98
3.	Beginning balances, as adjusted (This line is calculated.) Equals sum of lines 1 through 2B.)	98
15.	Net Cost of Operations (+/-)	<u>(2)</u>
17.	Cumulative Results of Operations (This line is calculated. Equals sum of lines 3 and 16.)	<u>100</u>

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APPENDIX II: REFERENCES

This appendix lists some key references and Web sites for readers who want to obtain additional information.

OFFICE OF MANAGEMENT AND BUDGET

- OMB *Circular No. A-136*
- OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*
- OMB Credit Model
 - ❑ OMB Publications Office at (202) 395-7332
 - ❑ Office of Federal Financial Management (202) 395-3993
 - ❑ Website: www.whitehouse.gov/omb

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Statement of Federal Financial Accounting Standards (SFFAS) and Statement of Federal Financial Accounting Concepts (SFFAC)
No. 1,

- SFFAS No. 1, *Accounting for Selected Assets and Liabilities*
- SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*
- SFFAS No. 3, *Accounting for Inventory and Related Property*
- SFFAS No. 7, *Accounting for Revenue and Other Financing Sources* (including related implementation guide)
- SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*

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- SFFAS No. 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees*
- SFFAC No. 2, *Entity and Display* (as amended by SFFAS No. 7)

Accounting and Auditing Policy Committee, Technical Release No. 3: *Preparing and Auditing Direct Loan and Loan Guarantee Subsidies Under the Federal Credit Reform Act*

- ❑ FASAB Staff at (202) 512-7350
 - ❑ Website: www.fasab.gov
- **BUREAU OF THE FISCAL SERVICE** *U.S. Standard General Ledger (USSGL)* codified in the *Treasury Financial Manual (TFM)*
- *Budgetary Accounting in the Federal Government*
- Illustrative Scenarios in Accounting for Credit Programs (FRAD Staff)
- TFM Volume I, Part 2, Chapter 4600 Treasury Reporting Instructions for Credit Reform Legislation
- Present Value Monograph